

## GATT trade talks dead, victory for food producers

by William Engdahl

In the wake of bitter protest demonstrations which brought tens of thousands of farmers from Germany, France, and other parts of Europe including Switzerland, European farmers have gained a temporary victory in blocking the General Agreement on Tariffs and Trade (GATT) Uruguay Round proposal. During the weekend of Jan. 11, European Community (EC) farm ministers agreed to reject the latest "compromise" plan proposed by GATT General Director Arthur Dunkel. The following week in Geneva, the talks went into what European trade sources called a "diplomatic deep freeze." On Jan. 13, representatives of the 108 member nations of GATT met just long enough to disband. A new meeting time is set for late March, but this is considered to be a face-saving sop to George Bush. Arthur Dunkel himself has announced he is leaving his job this year.

Practically, the refusal of European farm ministers, led by the firm protest from French, Danish, Dutch, and Irish farm ministers, to buckle under to the outrageous demands from the Bush administration is a temporary victory for world food security and a stinging defeat for Washington's view of what "free trade" should mean.

In a comment to the Danish daily *Jyllands-Posten* on Jan. 12, Danish Agriculture Minister Laurits Toernaes said, "We cannot accept for the EC to be cut out of world export markets when this will mean that U.S. farm exports will be thereby enhanced." The EC came to Geneva with a unified "no" position on the key agriculture issue. The EC ministers further proposed a freeze on the contentious trade talks until "after the November U.S. elections." As early as late December a French government spokesman told reporters, "The text put forward by the GATT secretary general supports America's views without any regard for European interests in agriculture. . . . The Americans further want to increase their share of world agriculture exports at Europe's expense.

France will oppose this text."

Notably, the Wall Street investment house Prudential-Bache Securities recently advised clients of the "positive" benefits should the GATT talks succeed, telling investors, "GATT would open doors for U.S. agriculture. . . . The landscape of world agriculture could change materially in the 1990s. . . . Chief beneficiaries in the long run would be U.S. agriculture in general and ConAgra, Pioneer Hi-Bred, Chiquita Brands, and ultimately Archer Daniels Midland."

On Jan. 13, the day that GATT member nations rejected the Dunkel plan, Bush staged a fit over the disintegration of the GATT Uruguay Round process in a speech to the American Farm Bureau Federation convention in Kansas City, Missouri. He said, "Sooner or later the European Community must stop hiding behind its own Iron Curtain of protectionism." He described the U.S. farm sector (now undergoing waves of forced bankruptcies) as "leaner, meaner, and tougher," and declaimed, "Do not listen to those prophets of doom. . . . We are the undisputed leader of the world. . . . We are the United States of America."

The Dunkel "compromise" plan submitted late last year in a last-ditch bid to get the stalled five-year-long negotiations to a conclusion before U.S. election politics made it unlikely, was in reality little modification of the long-standing Washington insistence that Europe, in effect, cut support for its farm production sufficiently to eliminate it as the world's second major wheat and food exporter. "We should have been allies with Europe over Japan," moaned Clyde Prestowitz, a former U.S. government trade official. "Instead we end up with a fight with Europe while the Japanese stand on the sidelines and pick up the marbles." Significantly, during his ill-fated Japan trip, President Bush quietly agreed to Japanese demands and removed the contentious issue of opening Japan's market to American rice imports from the bilateral

trade agenda.

The entire philosophy underlying GATT was established at the end of the Second World War as part of the Bretton Woods framework for establishing Anglo-American domination over global economic developments. Free trade has been a chronic demand of leading trading nations to secure advantage over rival trading partners by labeling them “protectionist” or “nationalist.”

### **The fallacy of ‘free trade’**

The initial impetus and model for the present GATT Uruguay Round and its unprecedented attempt to control the entirety of world trade and production in agriculture, comes from the 1846 repeal of British Corn Laws protectionism for British and Irish farmers. The “free trade” lobby in England at the time was led by City of London merchant bankers and large international shipping and trading companies who stood to profit handsomely from operating on the simple-minded merchant’s maxim, “Buy Cheap, Sell Dear.” After the Corn Laws were eliminated, British trading companies imported huge volumes of corn and other food purchased at dirt cheap prices from Indian peasants. The trading companies cynically played the cheap imports off against the prices of domestic English and Irish producers.

The repeal of price protection from cheap imports of foodstuffs from India and other British colonies unleashed a severe depression in Ireland and England in the 1840s and is the little-discussed background for the devastating “Irish potato famine.” By 1873, British “free trade” dogma had led British politicians to abandon support for domestic industry and concentrate on maintaining England’s role as financial and shipping power of the world. A depression began in England that year which lasted fully a quarter-century until 1896 as a consequence of the foolish free trade dogma.

Nonetheless, precisely the same foolish free trade agenda has been embraced by the Reagan and Bush administrations. With much the same foolish argument as that used by the financial establishment in 19th-century England, Washington has set up the present GATT agenda apparently convinced back in 1986 that it could extract more and more concessions from the rest of the world.

In a critique of this GATT agenda, the *Wall Street Journal* in its lead editorial Jan. 3 noted, “If GATT fails, part of the problem will be that for all its success, it contained the seeds of its own demise. There has always been something bizarre about negotiating free trade, as if lowering trade barriers were a zero-sum transaction with a loser for every winner. . . . In its 19th-century heyday, Britain announced and largely followed a policy of unilateral free trade. It bought the cheapest products the world had to offer.”

The problem with the terms of the media debate over this GATT Uruguay Round is that it has been fraudulently posed as “enlightened free trade means increased world growth and prosperity,” while nationalist protection will plunge the

world into a new Great Depression like that after Herbert Hoover signed the Smoot-Hawley Tariff Act in 1930. If anything, the opposite is the case, but the real agenda of Washington and, in the case of agriculture, the tiny handful of American grain multinationals such as Cargill, Archer Daniels Midland/Töpler, and Continental Grain, NA which it backs, cannot be admitted so openly. The game has been to clear the world export market of any significant food export “threat” leaving U.S. grain multinationals in de facto control of perhaps the most powerful political weapon—who gets food and who doesn’t. Since Henry Kissinger negotiated the first long-term U.S.-Soviet grain purchase agreement in the early 1970s, powerful interests in the U.S. financial and agri-business establishment have sought to use “food as a weapon.”

### **World food security threat**

But it is dangerous to slash any nation’s food production at a time when the U.N. Food and Agriculture Organization is warning, in their latest monthly *Global Information and Early Warning System on Food and Agriculture*, that “harvest returns confirm a tightening of the world cereal supply situation. Global cereal output in 1991, estimated 4% less than last year, will fall short of consumption requirements and require a large draw-down in stocks.” The year 1991 was the fourth of the past six in which global cereals production fell below consumption, placing world food reserves at their most precarious levels since the mid-1970s and well below the 17% of annual consumption which the FAO regards as the “minimum required for food security.”

Should the world undergo significant harvest failure in the coming several seasons in any one major growing area, such as happened in North America in 1988 with the severe drought, and if other major producing countries such as in Europe foolishly cut their capacity to produce, the world could face famine and unrest of major dimensions. In recent weeks, climatologists have begun warning that conditions appear to be developing which, as a result of the emissions from the June 1991 eruption of Mt. Pinatubo in the Philippines, could produce dramatic changes in world rainfall patterns over the next several years such as occurred in 1988. The El Niño phenomenon of the Pacific Ocean is once again projected for 1992, which could potentially mean damage to the North American farm belt, such as resulted from the 1988 “killer drought.”

While the food cartel would position itself to profit from the shortage of world food supply in such an instance, the world’s human population would be the ultimate loser. Regardless of the limited motives of French or other governments in blocking the bad GATT formula in Geneva, the delay gives time to rethink some of these fundamental issues. Just as there should exist no “one-world government” in today’s unequal conditions, so there should exist no “one-world market” in vital food production and distribution.